United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510–6200

January 19, 2017

The Honorable Kate Brown
Governor of Oregon
State Capitol, Room 160
900 Court St. N.
Salem, OR 97301

Dear Governor Brown:

As members of the United States Senate Committee on Finance, we have the privilege and responsibility of overseeing Medicaid and the Children's Health Insurance Program (CHIP). Today, Medicaid and CHIP provide coverage to more than 74 million individuals, including more than 36 million children.[1] In light of this responsibility, we are concerned by numerous proposals and statements suggesting plans to radically restructure Medicaid's financing system, resulting in huge permanent cost shifts to states and threatening access to critical health care services for tens of millions of low-income children and families, seniors, and individuals with disabilities.

Enacted in 1965 as a joint state-federal partnership, Medicaid is the nation's largest safety net health program serving as a critical source of comprehensive, affordable health coverage for millions of otherwise uninsured low-income Americans. As part of this essential role in the U.S. health care system, Medicaid along with CHIP provides coverage to one in three children, pays for nearly half of all births nationwide, is the primary payer of long-term care helping to pay for two out of three seniors in nursing homes, serves as the single largest source of public funding for family planning services, and is the nation's largest single payer for all mental health and substance use disorder services.

Medicaid's unique state-federal partnership has allowed it to become a key innovation hub for the nation's health care system. Whether it is transforming the health care delivery system, identifying new approaches to payment reform, or finding new ways to measure quality, Medicaid has demonstrated time and time again its capacity to innovate in order to better serve the nation's most vulnerable, most complex individuals without compromising access to affordable, comprehensive health coverage. Medicaid's current financing structure also allows the program to be responsive to local health care and economic needs by providing timely assistance to states to address public health emergencies, disasters, epidemics and other crises that require quick and immediate action.

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[1] *Centers for Medicare & Medicaid Services, OCTOBER 2016 MEDICAID AND CHIP APPLICATION, ELIGIBILITY DETERMINATION, AND ENROLLMENT REPORT* (Dec. 2016).

The Medicaid expansion is a prime example of how states have leveraged federal resources to better serve low-income individuals in the most effective and efficient manner. With the opioid epidemic ravaging communities across the country, expansion states have been able to provide coverage including access to substance use disorder services to over a million low-income Americans struggling with addiction.[2] In all, nearly a third of low-income adults benefiting from coverage through the Medicaid expansion have either a mental health condition, substance use disorder, or both.[3] Numerous studies show that the Medicaid expansion has resulted in state budget savings, revenue gains, decreased uncompensated care costs, and overall economic growth.[4]

Medicaid is extremely efficient at providing access to affordable, comprehensive benefits uniquely designed to serve a diverse and complex population. Overall, Medicaid's costs per beneficiary are much lower than for privately insured individuals.[5] In addition, these costs have been growing at a slower per-beneficiary rate than for employer-sponsored coverage.[6] As a result, Medicaid has been shown to be the most effective and efficient way to deliver health care coverage to the millions of Americans living below, at, and near the poverty line. The benefits of which can be seen throughout the economy with studies showing that children covered by Medicaid grow up to be healthier, live longer, contribute to the workforce at greater rates, and pay more in taxes[7]—a seriously good return on investment by any measure.

We are concerned this progress is at serious risk. Proposals such as block grants and per capita caps continue to be put forth by some federal policymakers. These proposals would drastically alter Medicaid's current financing structure and result in large cuts to federal funding for state Medicaid programs. An example is Secretary of Health and Human Services Nominee and House Budget Committee Chairman Tom Price's most recent budget proposal. Chairman Price's budget plan for Fiscal Year 2017 proposes over two trillion dollars in cuts to state Medicaid programs over the next ten years with roughly half coming from repeal of the Medicaid expansion and half from converting the underlying Medicaid program to a block grant or per capita cap structure.[8] According to estimates, states would see a reduction in federal funding of almost $170 billion in the tenth year of the plan—a 33 percent cut to state Medicaid budgets.[9]

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[2] STATE HEALTH REFORM ASSISTANCE NETWORK, ISSUE BRIEF: MEDICAID: STATES' MOST POWERFUL TOOL TO COMBAT THE OPIOID CRISIS (July 2016).
[3] SAMHSA, *The CBHQS Report, Short Report: State Participation in the Medicaid Expansion Provision of the Affordable Care Act: Implications for Uninsured Individuals with a Behavioral Health Condition* (Nov. 18, 2015).
[4] LARISA ANTONISSE ET AL., THE EFFECTS OF MEDICAID EXPANSION UNDER THE ACA: FINDINGS FROM A LITERATE REVIEW, KFF.ORG (June 20, 2016).
[5] THE KAISER COMMISSION ON MEDICAID AND THE UNINSURED, WHAT DIFFERENCES DOES MEDICAID MAKE? ASSESSING COST EFFECTIVENESS, ACCESS, AND FINANCIAL PROTECTION UNDER MEDICAID FOR LOW-INCOME ADULTS (May 2013).
[6] THE KAISER COMMISSION ON MEDICAID AND THE UNINSURED, ISSUE BRIEF: TRENDS IN MEDICAID SPENDING LEADING UP TO ACA IMPLEMENTATION (Feb. 2015) (Figure 9).
[7] ANDREW GOODMAN-BACON, *The Long-Run Effects of Childhood Insurance Coverage: Medicaid Implementation, Adult Health, and Labor Market Outcomes* (Nov. 28, 2016), *available at* http://www-personal.umich.edu/~ajgb/medicaid_longrun_ajgb.pdf.
[8] U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON THE BUDGET, CHAIRMAN TOM PRICE, A BALANCED BUDGET FOR A STRONGER AMERICA: FISCAL YEAR 2017 BUDGET RESOLUTION (March 2016).
[9] CENTER ON BUDGET AND POLICY PRIORITIES, MEDICAID BLOCK GRANT WOULD SLASH FEDERAL FUNDING, SHIFT COSTS TO STATES, AND LEAVE MILLIONS MORE UNINSURED (Nov. 30, 2016).

This is on top of a trillion dollars in cuts to state budgets by repeal of the Medicaid expansion. In addition, such cuts would be even larger due to factors such as greater than anticipated health care cost growth, the aging of the population, an economic down turn, and other unexpected increases in Medicaid spending such as new high-cost drugs, public health crises, and natural disasters.

Recognizing the importance of the state-federal partnership in the administration of the Medicaid program, we appreciate your feedback in informing federal policymakers on the impacts of these types of proposals on state Medicaid programs and budgets. Accordingly, we kindly request your input on the following questions:

1. How would a 30 plus percent cut in federal financial participation as seen in Chairman Price's fiscal year 2017 budget proposal impact your state Medicaid program?

2. How would repeal of the Medicaid expansion affect health coverage rates in your state?

3. How would repeal of the Medicaid expansion impact your state Medicaid budgets? What would be the impact on other state budget priorities such as education? Would your state be able to raise revenues or otherwise compensate for the loss of this federal funding?

4. How would these levels of cuts impact your ability to meet the needs of an aging baby boomer population expected to require more long-term services and supports, including nursing home care and personal cares services?

5. How would these levels of cuts impact your ability to combat the opioid epidemic and mental health crisis and meet the needs of those with mental health and substance use disorder needs?

6. How would these levels of cuts impact your ability to invest in innovative changes to your health care delivery system?

7. How would these levels of cuts impact your ability to respond to public health crises such as the Zika virus or increases in HIV cases?

8. How would these levels of cuts impact your ability to respond to an economic downturn such as a recession?

9. How would these levels of cuts impact your ability to respond to new high-cost medical breakthroughs such as Sovaldi and other blockbuster drugs?

10. How would these levels of cuts impact your ability to respond to natural and other disasters such as Hurricane Katrina, Superstorm Sandy, and the Flint water crisis?

11. How would these levels of cuts impact your ability to provide affordable family planning services, including contraceptive coverage to low-income women and families?

12. How would these levels of cuts impact hospital and provider payments? What types of increases in uncompensated care would you expected to see in your state given such cuts?

13. How would these levels of cuts impact localities in your state, such as counties and local jails?

14. What kind of cuts would states have to contemplate under these levels of cuts in federal financing for state Medicaid programs?

15. How else would these levels of cuts impact your state?

Thank you for reviewing this request. In the interest of informing federal policymakers, we respectfully request your response by February 15th, 2017. Written responses can be sent to Medicaid_Responses@finance.senate.gov.

Sincerely,

Senator Ron Wyden

Senator Debbie Stabenow

Senator Maria Cantwell

Senator Bill Nelson

Senator Robert Menendez

Senator Thomas R. Carper

Senator Benjamin L. Cardin

Senator Sherrod Brown

Senator Michael F. Bennet

Senator Robert P. Casey, Jr.

Senator Mark R. Warner

Senator Claire McCaskill